

A.M.A. NEWS LETTER

AMERICAN MANAGEMENT ASSOCIATION, 330 WEST 42nd ST., NEW YORK, N. Y.

OCTOBER 20, 1937

FINANCIAL TOPICS BEING WEIGHED

The Program Planning Committee for the Financial Conference has been making extensive "field checks" among financial executives in all parts of the country to determine the topics which will be of major interest in that field when the Division meets in New York City on December 14-15.

At a meeting of the Conference Planning Committee in New York on September 23rd all preliminary suggestions were considered in the light of current financial developments and narrowed down to some 20 possible program topics. Mr. Charles A. Tattersall, Secretary, Niagara Hudson Power Corporation, Vice-President of the AMA Finance Division, and his committee then checked these selections further, with the result that at present (although no definite program selections have been made) the following are receiving serious consideration:

Corporate Financing Under Present Conditions: It is planned to get an authoritative Administration speaker—possibly W. O. Douglas—to discuss corporate financing under the SEC. This will be followed with a discussion by an investment banker who will speak on the subject from the point of view of governmental restraints in launching new enterprises.

A Year's Experience With the Undistributed Profits Tax: This topic was widely approved by financial executives. The paper will probably discuss the tax in the light of a year's experience, and point out how businesses can overcome some of the handicaps of the law.

The Capital Gains and Loss Tax: This is considered too important to be omitted. A supplementary paper will probably discuss the law from the standpoint of the consumer.

Instalment Financing: This discussion will be based on the question, "How much does instalment financing affect business prosperity?" The Federal Reserve Board's announcement that it would rediscount financial instalment paper is significant, especially in view of the previous concern the Board showed over the extension of instalment buying. It is hoped to have the subject discussed by an Administration speaker and an executive from one of the large commercial investment trust companies.

Dealing with Depreciation: A Treasury Department officer and a

Many Favorable Comments Received on Changes in The Management Review

The revamped and rejuvenated MANAGEMENT REVIEW has gone over with such a resounding bang that we are wondering if we shall be able to keep that initial sparkle in its eye. Somebody has said that the new magazine makes the old one look like a wet morning in February. Results of the entire change convince us that you can't package diamonds in paper bags—people won't believe they are diamonds.

We quote from some letters commenting on the change:

"It is a hundred per cent improvement over the old REVIEW in style, color, and general eye appeal."

"A good job on a level with several others that have been done by AMA."

"I had a lot of things on my desk when I picked up THE MANAGEMENT REVIEW. Before long, however, I found myself reading article after article. That is the best testimony I can give."

"Boy! Your new repackaging job looks like a million dollars. What a difference a change of dress can make!"

News-stand Circulation

"The REVIEW is not only more attractive, but more convenient and appealing in its new set-up. You ought to try some news-stand circulation."

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prominent industrialist will discuss this subject. Recent rulings on depreciation will be examined, and emphasis will be placed on rulings of the Internal Revenue Department. There will be no political connotation in this paper.

Meeting Attendance Growing Steadily, Statistics Show

In trying to determine the state of business, one usually examines indexes of carloadings, steel output, commodity prices, etc. We should like to offer a new factor that has probably never been taken into account—namely, attendance at AMA conferences. This is one of the imponderables that indicates not how much business is done, but *how business men are thinking*.

Infinitely more important, because of their deeper meaning, than statistics of this week's carloadings are figures indicating the degree of interest that executives are taking in improving management methods and operations. AMA conference attendance records afford an excellent clue to this factor.

The figures that follow, therefore, are significant and encouraging:

Total attendance at all conferences of the Association during the period of 1934-35 was 2,136; during 1935-36, 2,948; and in 1936-37, 3,608. The steadiness of this growth is apparent.

Steady Increase

Attendance figures for conferences held during the period of 1936 show increases in each instance, with three exceptions. These three were the Packaging, Insurance, and Finance conferences, which were 1, 3, and 11 per cent less respectively in the period just ended than in 1935-36. All others show increases when allowance is made for the fact that in one case (Personnel) an extra meeting was held in the previous conference year.

Figures on the last three Personnel Conferences indicate that executives are giving more and more of their attention to problems involving human relations. The attendance at the Personnel Conference in 1935 was 472; in 1936, attendance at two conferences was 1,059; in 1937, the attendance at one conference was 843.

The difference between figures for 1934-35 and those for 1936-37 is striking. Increases in the latter period range from 39 to 163 per cent. At the latest Production Conference there was a registration of 542 executives, while in 1935 the attendance was only 206.

Many other interesting comparisons could be made if space were available. Figures will be found tabulated on page 6 of President Dodd's Annual Report to the members of the Association.

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MARKETING CONFERENCE TO POINT WAY TO PROFIT OPPORTUNITIES

Strong Interest Evidenced in Problems of Training, Direct Mail Selling, Sales Cost Control, Future Sales Strategy

Marketing organizations wishing to capitalize on all the opportunities of the present-day market will find many pointers on how to do that job in the program which is now being worked out for the conference of the Marketing Division of the AMA.

The conference is scheduled to be held on November 18 and 19, 1937, at the Hotel Pennsylvania, New York City. Working with their committee, H. W. Dodge, Vice-President, The Texas Company, and J. H. Macleod, Vice-President, Sales Division, The Hinde & Dauch Paper Company, are planning a meeting that will epitomize in two days the fundamentals of selling, new devices of salesmanship, and answers to current selling problems. Giving yeoman's service to the building of the conference are Edgar Kobak, Vice-President, Lord and Thomas, and Frederick B. Heitkamp, Vice-President, American Type Founders Sales Corporation.

The conference has been designed to suit the needs of organizations selling

in today's market and under present conditions.

The meeting will very largely be conducted along "laboratory lines"—a technique which has proved very effective in the past. Some of the principal topics that will be discussed include: "Fundamentals of Sales Management," which will be discussed by Harry B. Brown, National Merchandise Manager of Philco Radio and Television Corporation; "Creating and Maintaining Sales Enthusiasm," which will be discussed by J. M. McKibbin, Jr., Apparatus Advertising and Sales Promotion Manager, Westinghouse Electric & Manufacturing Company; "Direct Mail as an Order Producer," to be presented by Leonard J. Raymond of Dickie-Raymond, Inc.; "Sales Training and Retraining Programs," by Robert F. Lovett, Manager, Personnel and Sales Research Department, Procter & Gamble Company; "Sales Cost Control," by A. W. Ramsdell of Ramsdell & Haase; and "Looking Ahead Five Years in Sales Strategy."

Planning Marketing Conference Program



J. H. MACLEOD



H. W. DODGE

Office Managers Find Their Problems Akin To Those of Factory

Same Economic Conditions Affecting Factory Operations Seen Influencing Office Work

Five hundred office managers, representing the leading companies of the United States, are gathering this week at the American Management Association's Office Management Conference, which is being held at the Hotel Astor, New York City, October 21-22. They will discuss mutual problems of office work, giving special heed to matters of office organization, methods, personnel practices, and environmental influences.

Office managers taking part in the proceedings have indicated that their problems are very much akin to those besetting production and factory executives. They point out that the shortening of the working week, the threat of office employee unionization, and the current trend to decentralization of activities are all making themselves felt in office organizations. On top of this is the new burden of record-keeping which has resulted from Social Security.

Speakers

The Association has invited Walter D. Fuller, President of the Curtis Publishing Company, to address the conference on "What the Senior Executive Expects of the Office Manager." Mr. Fuller, who had long experience as an office manager himself, will speak at a luncheon session on the opening day of the meeting.

Other speakers on the first day will be I. O. Royse, Manager of Office Production, Ralston Purina Mills, who will open the conference with a paper on "Trends in Office Organization and Methods"; R. W. Starreveld, Director, Office Machines Research, Inc., who will speak on "Trends in Office Mechanization"; Johnson O'Connor, widely known as the founder of the Human Engineering Laboratories, who will give a paper entitled "Making Fulllest Use of Present Personnel"; Edward N. Hay, Personnel Officer, The Pennsylvania Company, who will give an address on "Practical Rating Plans"; and L. M. Guelich, Office Supervisor, The National Cash Register Company, who will speak on "Payment of Office Workers."

This digest covers the views of various authorities. It does not include any strictly confidential information nor specific advices from the sources.

BUSINESS CONDITION

ol. 10, No. 10

October, 1937

	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE, INC.	BUSINESS WEEK
GENERAL OUTLOOK	The national income rose in August to a new peak for the recovery period; another new peak for the recovery movement will probably be reached in October, but the seasonal decline in November and December may be sharper than usual (October 9).	Fundamental outlook is still favorable; brunt of summer recession was felt in September; beginning now some industries are likely to turn upward; others should follow later (October 11).	Causes of a depression are absent in the present situation; the recession under way is temporary and is overdone in some respects—notably the stock market; activity may recede for a while longer, but a solid foundation for expansion exists (October 6).	There was little change in the business situation; the business situation is still favorable on the whole; a strong belief in a recovery is still held; a slight expansion is expected; the business situation is still favorable on the whole (October 9).
MONEY AND CREDIT	It is now evident that 1937 as a whole will represent the fifth consecutive year of expanding inflation; we are perhaps nearing a deflationary movement that may be sharp but of comparatively short duration (October 2).	While inflation may make only moderate progress during the nearer future, there is strong possibility that there will be some inflation over the longer term; the soundest policy is not to count on inflation being avoided (September 11).	Compared with 1929, brokers' loans are now but a fraction of the total then reached; the low level of prevailing money rates may be illustrated by the fact that commercial paper is now at 1% compared with more than 6% at the end of the typical cycle (October 6).	Sentiment toward the business situation is still favorable on the whole; a strong belief in a recovery is still held; a slight expansion is expected; the business situation is still favorable on the whole (October 9).
SECURITY MARKETS	No change in opinion regarding major and minor trends is indicated at present—both are bearish; however, there is not wanting evidence of the possibility of a fairly sharp rally at any time (October 14).	By far the greatest part of the decline has probably been seen; from the fundamental viewpoint what we have been experiencing is not a major bear market—rather, a temporary decline in a longer term bull market (October 11).	Considering the dividend and earnings outlook, stocks are at relatively low prices; while irregularity and further weakness have characterized stock market action, the lesser activity indicates a substantial slackening of liquidating pressure (October 9).	Since the spring the cotton textile industry has reduced 25%; the wool textile industry has been curtailed; the automobile industry is up, and Ford is expanding production (October 9).
PRODUCTION	Mine production, factory output, and agricultural shipments were all larger in August than in July or in August last year; petroleum output rose to an all-time high; steel output and cotton mill activity both showed expansion (October 9).	Electric power still gains; the weekly electric production in past weeks has averaged 7% above a year ago; as the period of business prosperity advances, present electric power figures are likely to be exceeded by liberal margins (October 11).	In order to do no more than maintain the auto population at a static rate, it will be necessary to produce at the rate of 5 million units annually for several years to fill the void created by old age of these vehicles (October 6).	Consumer prices are still high; the prices of many commodities are still high; the prices of many commodities are still high (October 9).
DISTRIBUTION		As business works into 1938, it should be possible to maintain sales at about 5% to 10% above the year ago levels; be on guard against price advances which might cause buyers' strikes (October 11).	Residential building can be looked on in the not-too-distant future to become an expansion motivator; the potentialities may be inferred from the fact that 3 billion dollars a year was spent on residential building from 1925 thru 1928, compared with \$950,000,000 estimated for 1937 (October 6).	For the first time in the history of the cotton textile industry, the demand for cotton has been curtailed; the demand for cotton has been curtailed; the demand for cotton has been curtailed (October 9).
BUILDING	Building contracts in August were of an unfavorable nature, showing a sharp decrease from the July volume and barely exceeding the volume of a year ago (October 9).	An improvement in building is still indicated; higher costs have checked the rate of expansion in the building industry; a gradual growth rather than a speculative boom assures a longer and more stabilized expansion (October 11).	With the new corn crop of 2,560,000,000 bushels approaching maturity, cash corn prices have shown substantial declines; it is probable that cash prices will show further declines during the next several weeks (October 16).	Cotton prices are still high; the prices of many commodities are still high; the prices of many commodities are still high (October 9).
AGRICULTURE	Farm income in August was 20.6% greater than in August, 1936, but the 1937 farm income probably will not exceed the Department of Agriculture's estimate of \$8,575,000,000, or 13.2% more than that of 1936 (October 9).	Farm and city families are now receiving income much nearer alike; but because of lower fixed expense farmers have more to spend; the farm market has 60% of the total population; this includes farms and all towns and cities of less than 25,000 population (October 11).	Farm products, the weakest among the raw materials, have now largely discounted the big 1937 crop; since actual consumption of industrial materials is exceeding the rate of buying, orders and prices should turn up before long (October 16).	Early in October the cotton textile industry was expected to be in a position to expand production; the cotton textile industry was expected to be in a position to expand production (October 9).
COMMODITY PRICES		A study of wholesale commodity prices points to a continuation of the irregularly upward trend; we can anticipate further strength in the leading wholesale commodity price indexes in 1938; we must allow for seasonal and other reactions (October 11).	Basing the index on 100 for the years 1923-25, manufacturing payrolls stood at 109.1 in 1929, 46.4 in 1932, and at 100.1 in the first half of 1937; this gratifying progress is significant (October 2).	The C.I.O. is expected to be in a position to expand production; the C.I.O. is expected to be in a position to expand production (October 9).
LABOR AND WAGES	Factory payrolls increased 3.3% in August over the previous month and 24.2% over August, 1936; while the August rise was substantial, it did not equal the average seasonal rise of 3.5% (October 9).	Manufacturing payrolls for the latest month of record stood nearly 25% above the same period a year ago; more than 1,100,000 persons have been absorbed by industry since the same period in 1936; weekly payrolls have increased \$64,100,000 (October 11).		Japanese restrictions on the export of raw cotton—will be a serious blow to the cotton textile industry; the cotton textile industry will be a serious blow to the cotton textile industry (October 9).
FOREIGN TRADE AND CONDITIONS	The adverse political situation prevailing abroad has led to an attitude of hesitation and uncertainty on the part of foreign buyers of American securities and has caused many Americans to liquidate their holdings (October 2).	The expected war in Europe is not immediately ahead; war scares will come; read about them, then forget them; profits will come from energetic business activity and not war profits (October 11).		

RECESSIONS AND FORECASTS

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October, 1937

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BUSINESS WEEK	DUN'S REVIEW	CLEVELAND TRUST COMPANY	NATIONAL CITY BANK
<p>There was little in recent developments to lift the cloud that has settled the business horizon; despite seasonal increases in certain activities and a slight expansion in construction, <i>Business Week's</i> index fell below last year's level (October 9).</p>	<p>Recessions in commodity and security markets exert a dampening influence, but no evidence of a fundamental weakness has appeared; price resistance has developed in several lines; buying is cautious, retail trade ahead of last year (November).</p>	<p>It does not seem probable that the present declines in business activity will develop into a real depression; apprehension concerning the stock decline may produce greater business recession than conditions actually warrant (October 15).</p>	<p>Early reports from the industries have shown considerable irregularity; the manufacturing trades are in need of new business, but the fall pick-up has been sluggish and market conditions have tended to hold buying within conservative limits (October).</p>
<p>Sentiment toward stocks would turn favorable on the slightest provocation; strong belief exists that stocks have gone down too sharply since the August break; weakened margin accounts are thought to have hindered an incipient recovery (October 16).</p>	<p>Bank clearings, 22 U. S. cities, September, \$24,076,000,000, 8.2% above August, 0.6% above a year ago; Insolvency Index (Failures) September, 34.1 compared with 38.1 in August, 2.1% above a year ago (November).</p>	<p>Shrinkage in stock values from March until late September totaled 18 billions; figures for 1936 and early 1937 indicate that prices had advanced disproportionately far and fast, so the decline may have been more justified than is generally assumed (October 15).</p>	<p>During September business money rates remained unchanged at the low levels current for some time; the monetary authorities took further steps to ensure the maintenance of cheap money conditions during the fall and winter (October).</p>
<p>Since the spring peak, operations in the cotton textile industry have been reduced 25%; production in the rubber and copper trades have also been curtailed; auto production, however, is up, and Ford announces a \$40,000,000 expansion program (October 16).</p>	<p>Lack of improvement in important lines outweighs gains in others; automobile output up sharply in October, but less-than-earlier rates persist in steel, textile, shoe, and lumber industries (November).</p>	<p>The index of industrial production compiled from Federal Reserve data showed that production volume was 10.7% below the computed normal level last January; the preliminary figure for September is 12.6% below normal (October 15).</p>	<p>The persistent decline in stock prices, amounting since the middle of August to 23% in the Dow-Jones average of industrial shares, has been a shock to the optimists and inspires a good deal of caution (October).</p>
<p>Consumer protests on meat prices, and protests of kosher meat retailers in New York City, broke the peak of the recently established on cattle markets in Chicago; some shoe distributors have cut prices for similar goods (October 9).</p>	<p>Dun's Review Trade Barometer (consumer buying): U. S., August, 96.3; 0.1% above July; 8% above a year ago, (1928-1932 equals 100, corrected for seasonal variations) (November).</p>	<p>The American people are spending more of their income for recreation, which includes recreation products such as sporting goods, radio sets, and musical instruments; recreation consumed 3.8% of the national income in 1909 and 8.1% in 1935 (October 15).</p>	<p>Steel mill operations dropped from 84% of capacity in August to below 75 at latest reports; in industries which boomed through part of 1936 and the first half of 1937, production has outrun consumption, and the trend is toward curtailment (October).</p>
<p>For the first time this year construction contracts fell below last year's; the decline averaged 12%; new building slipped by 19%, public works and utilities by 22%; non-residential building still held 10% ahead of 1936 (October 9).</p>	<p>September volume of building permits is 2.2% less than a year ago; September, 1937 (215 cities) \$86,710,800, 1.0% below August, 1937 (November).</p>	<p>Building construction is still below its computed normal level; accumulated shortages left by the long depression are still largely unfilled (October 15).</p>	<p>Retail trade in August and early September failed to equal expectations; August department store sales in dollars were 4% above a year ago; chain store sales, about 2%; mail order sales, 7.8%; since Labor Day, however, gains have widened (October).</p>
<p>Cotton prices are barely half as high as they were six months ago; huge stocks, declining mill activity in this country, Japanese restrictions, and Washington's unpopular cotton-loan program have cotton planters writhing (October 16).</p>	<p>Farm income continues to be a favorable factor, but earlier estimates must be revised downward in the light of price declines (November).</p>	<p>Though prices of some farm products have been easing, farm cash income in August was \$125,000,000, or 19% over the same month last year, according to the Department of Agriculture; no greatly revised estimates of farm buying power are called for (October).</p>	<p>Improvement in the volume of construction has ceased; in August residential contract awards were 27% under the same month a year ago; cost increases could not be passed on and have checked the upswing (October).</p>
<p>Early in October hides slumped precariously; there were further flurries in cocoa, and cotton receded slightly from new low for the year; bulls are thought to have gotten tired of their profit-position and to have sold out (October 9).</p>	<p>Dun & Bradstreet Wholesale Commodity Price Index: October 1, \$10.8483; 1.0% below September 1, \$10.9579; increases in livestock, provisions, and oils (November).</p>	<p>Placements in September were 43% above last year, and registrants 32% fewer, according to the records of the U. S. Employment Service; factory employment in August was 9% higher than 1936, payrolls 24% (November).</p>	<p>Commodity prices have eased since mid-July and have given ground especially in the closing days of September; basic commodities now average approximately the same as a year ago; the reductions will stimulate volume and help business (October).</p>
<p>The C.I.O. will try to worry the A.F.L. into a peace agreement by acting as if it were entirely cut loose from the A.F.L.; both groups will support the kind of wage-and-hour legislation with details not yet fixed (October 16).</p>	<p>An abrupt drop in imports during August and gains in exports resulted in the largest "favorable" balance of the year; fall demand from foreign markets is below earlier expectations in many lines (November).</p>	<p>Business recovery is further along abroad than in the United States; if business should go into a depression in the leading foreign nations, we should surely have a depression here (October 15).</p>	<p>Expressed on the base of the 1923-25 average as 100, the index of employment in the manufacturing industries during the first 8 months of 1937 averaged 103.5; the payroll index averaged 105.2 (October).</p>
<p>Japanese prohibitions or drastic restrictions on 300 imports—including cotton—will hit the United States; these purchases of United States goods on this year may amount to as much as 60% of last year's huge total (October 9).</p>			<p>Business in France has failed to recover as hoped; the franc has again declined, with pressure extending to the Belgian and Dutch currencies; gold hoarding has been resumed in London (October).</p>